

Message Text

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C O N F I D E N T I A L STATE 173375

FOLLOWING REPEAT STATE 173375 SENT MANILA DATED AUG 8.

QUOTE

C O N F I D E N T I A L STATE 173375

E.O. 11652: GDS

TAGS: ETRD, EAGR, RP, EGEN

SUBJECT: SUGAR TRADE

REF: MANILA 9185

1. ADMINISTRATION POLICY WITH REGARD TO SUGAR LEGISLATION HAS NOT CHANGED. THE ADMINISTRATION CONTINUES TO LEAVE THE INITIATIVE ON THIS MATTER TO CONGRESS, BUT IS PREPARED TO COOPERATE WITH CONGRESSIONAL LEADERSHIP ON EXTENSION OF ACT IF LATTER SHOULD DECIDE TO INITIATE SUCH ACTION.

2. IT IS NOT YET CLEAR WHAT FURTHER ACTION CONGRESS MAY TAKE ON SUGAR ACT. CHAIRMAN POAGE OF HOUSE AGRICULTURE COMMITTEE HAS PUBLICLY STATED THAT HE DOES NOT INTEND TO TAKE ACTION IN NEAR FUTURE. CHAIRMAN LONG OF SENATE FINANCE COMMITTEE HAS INFORMED POAGE HE MAY SEEK TO AMEND TRADE BILL WITH SUGAR AMENDMENT, AND IN THIS EVENT, OUTCOME COULD BE
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SIMPLY EXTENSION OF CURRENT QUOTAS. HOWEVER, DOMESTIC PRO-

DUCERS DO NOT APPEAR TO BE PRESSING FOR ACTION WHILE PRICES REMAIN HIGH. GENERAL FEELING IN SUGAR INDUSTRY IS THAT SUGAR LEGISLATION IS UNLIKELY BEFORE US ELECTIONS IN NOVEMBER AND PROBABLY WILL NOT BE CONSIDERED BEFORE THE FIRST SESSION OF THE NEW CONGRESS, IF THEN.

3. WE RECOGNIZE THAT US ABILITY TO PRESSURE GOP ON SUGAR SUFFERED A MARKED LOSS OF LEVERAGE WHEN HOUSE KILLED SUGAR BILL THIS SPRING. INSTRUCTIONS SINCE THAT TIME HAVE BEEN

CONSISTENT WITH OUR BELIEF THAT IN SUGAR, AS IN OTHER COMMODITIES, RESPONSIBLE GOVERNMENTS SHOULD NOT TRY TO MANIPULATE MARKETS FOR SHORT-TERM PROFIT, BUT SHOULD, IF POSSIBLE, MINIMIZE DESTABILIZING EFFECTS ON INTERNATIONAL MARKETS OF CURRENT WORLDWIDE SERIES OF COMMODITY SHORTAGES.

4. DELAYS IN SUGAR DELIVERIES TO US AND UNCERTAINTY OVER SEPTEMBER ARRIVALS HAVE CONTRIBUTED TO CURRENT HIGH PRICES. WE ARE GLAD OF PHILIPPINE ASSURANCES THAT QUOTA COMMITMENTS WILL BE MET, BUT PHILIPPINE SHIPPING DELAYS HAVE CONTRIBUTED TO CURRENT TIGHT SUPPLY SITUATION. WE RECOGNIZE THAT COMPLIANCE WITH SUGAR ACT REQUIRES ONLY THAT SHIPMENTS BE COMPLETED IN CY 1974, BUT WE NEED SUGAR NOW AND FEEL THAT ANY EFFORTS THAT COULD HASTEN DELIVERY SHOULD BE UNDERTAKEN.

5. PHILIPPINE COMPLIANCE WITH OUR REQUESTS INVOLVES NO SIGNIFICANT SACRIFICE FOR THEM. US PRICES FOR PAST SEVERAL WEEKS, IN FACT, HAVE BEEN SLIGHTLY ABOVE WORLD MARKET LEVEL. MOREOVER, IF GOP REMAINS INTERESTED IN OBTAINING FAVORABLE QUOTA IN POSSIBLE FUTURE LEGISLATION, PERFORMANCE DURING REMAINDER OF PRESENT BILL WOULD PRESUMABLY BE A FACTOR IN DETERMINATION OF FUTURE QUOTA, AS IT WAS IN DETERMINATION OF QUOTAS IN THE SUGAR ACT AMENDMENTS SUBMITTED TO THE HOUSE ON JUNE 6, 1974. FINALLY, ANY SUGGESTION THAT GOP USED ITS CONTROL OF PHILIPPINE SUGAR TRADE TO DRIVE PRICES ABOVE LEVELS ALREADY INDUCED BY A WORLDWIDE SUPPLY-DEMAND BALANCE COULD NOT BE EXPECTED TO WEIGH FAVORABLY IN ANY SUCH DELIBERATIONS, OR IN OTHER

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CONSIDERATION OF BILATERAL SUPPLY QUESTIONS IN WHICH WE AND GOP SHARE INTERESTS. KISSINGER
UNQUOTE INGERSOLL

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